

**TRABUCO CANYON WATER DISTRICT
FINANCE AUDIT COMMITTEE MEETING RECAP
SEPTEMBER 3, 2014**

DIRECTORS PRESENT

Committee Chair Stephen Dopudja
Committee Member James Haselton

STAFF PRESENT

Hector Ruiz, General Manager
Michael Perea, District Secretary
Karen Warner, Accounting Supervisor

PUBLIC PRESENT

There were no members of the public present

CALL MEETING TO ORDER

Mr. Dopudja called the September 3, 2014, Finance/Audit Committee Meeting to order at 7:02 A.M.

VISITOR PARTICIPATION

No visitor participation was received.

ORAL COMMUNICATION

No oral communication was received.

COMMITTEE MEMBER COMMENTS

Mr. Haselton had no comments.

Mr. Dopudja had no comments.

REPORT FROM THE GENERAL MANAGER

Mr. Ruiz had no items to report to the Committee which were not included in the agenda.

ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP

The August 6, 2014, Finance/Audit Committee Meeting Recap was presented to the Committee.

RECOMMENDED ACTION:

The Committee approved and recommended that the August 6, 2014, Finance/Audit Committee Meeting Recap be received and filed by the Board (Consent Calendar).

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**ITEM 2: RATIFICATION OF DIRECTORS' FEES AND EXPENSES, TENTATIVE FUTURE MEETINGS/
ATTENDANCE ITEMS**

The Committee reviewed the information presented, and had no comments. Mr. Ruiz mentioned that the Rancho Santa Margarita Chamber of Commerce "State of the City" Event will be added to the Tentative Future Meetings/Attendance Items Schedule.

RECOMMENDED ACTION:

The Committee recommended that the Directors' expenses and fees for August, 2014, and the tentative future meetings be forwarded to the Board for ratification, as amended (Consent Calendar).

ITEM 3: DISTRICT SURPLUS EQUIPMENT

Mr. Ruiz presented this matter for discussion and reviewed the District Policy Regarding the Disposal of Surplus Property. Mr. Ruiz reviewed the District Fleet Table and the Surplus Equipment Survey Report exhibits with Committee, and provided updates on the condition of the vehicles designated as surplus equipment and other specific vehicles by service type. Discussion occurred concerning surplus equipment disposal methods used to date; Mr. Ruiz commented that District Staff will coordinate with General Auction Company for the public auction of this surplus equipment, per District Policy. Mr. Ruiz mentioned that a recently purchased service utility vehicle missing from the District Fleet table will be added to accurately reflect the District's Fleet.

RECOMMENDED ACTION:

The Committee recommended that the Board authorize the General Manager to dispose of District Surplus Equipment in accordance with the Board-approved Policy (Action Calendar).

ITEM 4: OTHER MATTERS

Mr. Ruiz commented on District Staff's public outreach efforts during the Statewide Drought, and presented the newly re-designed door hanger for Water Conservation Ordinance violations. Mr. Ruiz reviewed the District's Drought Communication Process and the steps which District Staff will take to assist customers to comply with the State Water Board's emergency regulations concerning outdoor water use. Mr. Ruiz added that District Staff coordinated with Santa Margarita Water District (SMWD) to deliver a presentation at the Community Associations of Rancho (CAR) September 2, 2014 Meeting to highlight each agencies' respective Water Conservation Ordinance. Mr. Ruiz added that SMWD is planning to launch television advertisements concerning their Drought-related efforts on Cox Cable Television local channels in their service area. Discussion occurred concerning television and radio advertisements concerning the Drought. Mr. Ruiz expressed confidence in the appropriate measured response to the Drought which District Staff has taken to date. Discussion occurred concerning a recent Orange County Register article which highlighted an \$8 million refund from Metropolitan Water District (MET) to certain South Orange County water agencies. Mr. Ruiz commented that the refund was due to a meter calibration error, and that SMWD and Moulton Niguel Water District (MNWD) discovered and were primarily affected by the billing error. Mr. Ruiz mentioned that the District uses a different meter for billing of imported water, and as such, is not expecting any amount from the total \$8 million refund from MET.

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RECOMMENDED ACTION:

There was no recommended action.

ITEM 5A: FINANCIAL REPORT

Mr. Ruiz presented the adjusted and unaudited financials for June, 2014, for Committee review, and commented that the report includes the final payments for the month of June and end of the fiscal year revenue and expenses. Mr. Ruiz highlighted the following items:

Statement of Revenues and Expenses

- Operating Revenue, Residential Water: Mr. Ruiz commented that this line item came in below budget for the Fiscal Year. Discussion occurred concerning FY 2014/15 Residential Water budget projection methodology; Mr. Ruiz commented that Residential Water budget is based on projections from the prior year, and this year a five percent reduction in revenue was assumed due to the impacts of the drought.
- Operating Revenue, Irrigation Water: Mr. Ruiz commented that this line item year to date amount was impacted by the two Nursery wells which were dry due to the drought and resulted in the Nurseries purchasing more water from the District.
- Operating Revenue, Stand-by: Mr. Ruiz mentioned that this line item year to date was below budget due to nonpayment of charges by the State.
- Operating Revenue, Sanitation Revenue: Mr. Ruiz commented that this line item year to date amount is typical.
- Operating Revenue, Recycled & Reclaimed Revenue: Mr. Ruiz commented that this line item year to date amount exceeded the budgeted amount due to increased demand as a result of the drought.
- Non-Operating Revenue, Sale of Fixed Asset: Mr. Ruiz mentioned that this line item year to date percentage is skewed due to the difference in the budget versus the actual and greater amount of revenue from the public auction of surplus equipment (vehicles).
- Operating Expenses, Board Expense: Mr. Ruiz mentioned that this line item year to date was below budget due to lower than expected health benefit costs.
- Non-Operating Expense: Mr. Ruiz mentioned that this line item year to date was lower than budgeted due to lower bank fees from the Bank of New York Mellon.

Comparative Balance Sheet

There were no comments received on the Comparative Balance Sheet

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Restricted Assets Report

- State Revolving Fund, Cash in CB&T Reserved for SRF Loan: Mr. Ruiz presented a handout which reviewed the amortization schedule for the Cal Bank & Trust SRF Loan Account.

RECOMMENDED ACTION:

The Committee recommended that the Board receive and file the June, 2014, adjusted and unaudited Financial Statement, as presented (Consent Calendar).

ITEM 5B: FINANCIAL REPORT

Mr. Ruiz presented the bills for consideration for September 3, 2014.

RECOMMENDED ACTION:

The Committee signed the bills for consideration and the warrant register, and recommended that the Board ratify payment of the bills for consideration for September 3, 2014, as presented (Consent Calendar).

ADJOURNMENT

Mr. Dopudja adjourned the September 3, 2014, Finance/Audit Committee Meeting at 7:47 A.M.

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